

ANALYSIS OF ORIGINAL BILL

Author: Goldsmith Analyst: Roger Lackey Bill Number: AB 2503

Related Bills: See Legislative History Telephone: 845-3627 Introduced Date: 02-20-98

Attorney: Doug Bramhall Sponsor:

SUBJECT: State Agencies Abolished January 1, 2005, Unless Authorized by Legislature

SUMMARY

On January 1, 2005, this bill would abolish certain state agencies in existence on or before January 1, 1998, unless the Legislature authorizes continuation of the agency prior to that date.

EFFECTIVE DATE

This bill would be effective January 1, 1999.

PROGRAM HISTORY/BACKGROUND

The Franchise Tax Board (FTB) is an independent state agency. The board and its predecessor, the Franchise Tax Commissioner, have a history dating back to 1929, when the Commissioner was appointed by the Franchise Tax Act of 1929.

The Personal Income Tax Act was enacted in 1935 and its administration was delegated to the Franchise Tax Commissioner. The Corporation Income Tax Act was enacted in 1937, as a companion measure to the Franchise Tax Act and is now an integral part of the Bank and Corporation Tax Law.

The state Legislature transformed the office of the Franchise Tax Commissioner into the Franchise Tax Board in 1949. (The board is composed of the State Controller, the Director of Finance, and the Chairman of the Board of Equalization, and appoints an executive officer.)

SPECIFIC FINDINGS

Current **state law** provides for the existence of the Franchise Tax Board. The Franchise Tax Board is responsible for administering the Personal Income Tax, Bank and Corporation Tax, and Homeowner's and Renter's Assistance Programs; auditing financial statements of political candidates and lobbyists in accordance with the state's Political Reform Act; and collecting various non-tax debts including child support payments, vehicle registration fees, and other debts as

DEPARTMENTS THAT MAY BE AFFECTED:

☐ STATE MANDATE

☐ GOVERNOR'S APPOINTMENT

Board Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
☒ X ☐ PENDING

Agency Secretary Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
DEFER TO ☐

GOVERNOR'S OFFICE USE

Position Approved ☐
Position Disapproved ☐
Position Noted ☐

Department Director Date
Gerald H. Goldberg 4/7/98

Agency Secretary Date

By: Date

authorized or required by the legislature.

This bill on January 1, 2005, would abolish every state agency that was in existence on or before January 1, 1998, unless the Legislature authorizes its continuation prior to that date.

This bill would not apply to state agencies directly administered by an elected state officer or by an elected governing board or any agency established by the California Constitution.

Implementation Considerations

The Franchise Tax Board is not directly administered by an elected state officer or by an elected governing board and was not established by the California Constitution. As a result, if the Legislature by statute does not authorize the continuation of the Franchise Tax Board by January 1, 2005, the department shall cease to exist.

If the department ceases to exist and the responsibility for administering the income tax system and other programs is not assigned to another state agency, this bill would significantly impact the state's largest funding sources, income taxes. Also, the other services provided by the department to taxpayers and other state agencies, such as assistance to homeowners and renters, collection of child support, and political audits, cease.

FISCAL IMPACT

Departmental Costs

The department's budget for the 2004-2005 fiscal year cannot be accurately determined at this time. However, the department's 1997-98 budget is approximately \$375,193,000. If the department ceased to exist in mid-budget year, remaining budget funds would presumably return to the General Fund.

Tax Revenue Estimate

Programs administered by the Franchise Tax Board collected nearly \$27.7 billion in tax revenue for 1996, representing over 58% of General Fund revenue. The Personal Income Tax Program accounted for over 46% of the General Fund total, and the Bank and Corporation Tax Program accounted for over 12%. In addition, non-tax debt collections are approximately \$200 million annually.

BOARD POSITION

Pending.